

Counterurbanisation and Job Creation: Entrepreneurial In-Migration and Rural Economic Development

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Summary

A survey of rural microbusinesses in the North East of England suggests that more than half of rural microbusiness owners are in-migrants who have moved at least 30 miles into their locality. It is estimated that almost 10% of jobs in the rural areas of the North East are in microbusinesses run by in-migrants. Each in-migrant microbusiness owner has created on average two additional jobs.

In-migrant microbusiness owners tend to be more growth orientated than their more local counterparts. They tend to have more extensive business networks while also developing many valuable local contacts and contributing both supply and demand to the local and regional economies. As rural economies become increasingly diverse, the addition of these businesses has helped to offset the effects of declining farm incomes and agriculturally related employment. Regional and rural development policies need to be aware of the value of this new sector of the regional rural economy and the economic contribution of new entrepreneurs moving and returning to the region.

Introduction

A strong local economy is an essential element of sustainable rural development. However, recent trends in England suggest that rural areas are increasingly coming to be seen as 'consumption spaces' associated with preservation and amenity, and with tight controls on land development, even for the purposes of establishing businesses. Stockdale & Findlay (2004) have highlighted the potential economic development gains that can be realised from in-migrants starting new businesses in rural areas. The direct impact that in-migration may have in a local economy can be assessed through a comparison with existing and locally started firms. This discussion paper focuses on the relative importance of businesses migrating into rural areas and stimulating local economic development. It is set within the context of increasing interest in theories of neo-endogenous rural development (see Lowe *et al* 1995; Ray 2001; Ward *et al* 2005).

Local economies must utilise aspects of comparative advantages in order to compete in a globalising world. Where comparative advantage is specifically linked to the local area and local identities, strong social and economic networks have been found to be essential components for realising the potential for economic development (see Granovetter 1985, Malecki 1997, Jack *et al* 2002, Atterton 2005). In the light of increasing interest in the role of "knowledge economies", it is argued that all in-migrants can also contribute new ideas and new experiences to the local economy through these networks (Local Futures 2005).

The research informing this paper uses Northumberland as a case study to investigate the impact of in-migrant business owners on the local economy. Northumberland is a predominantly rural county with a range of rural areas including some of England's most remote settlements as well as a commuter belt around the Tyneside conurbation. The economy of the North East region, however, is dominated by its two conurbations (Tyne and Wear and Tees Valley) with regional economic and spatial strategies prioritising urban areas in the quest to boost growth.

Latest figures from the Countryside Agency show the North East as having 360 businesses per 10,000 of population in rural areas compared to a national average of 415 (Countryside Agency 2004). A national survey in 1995 illustrated that rural firms were growing more than their urban counterparts (Keeble & Tyler 1995) suggesting that rural businesses can actively contribute to regional growth.

During the 1980s and 1990s, the North East saw a net loss in population while the UK population increased¹ so the retention of existing population and attracting in-migrants are seen as important strategies in facilitating growth. However, the draft Regional Spatial Strategy for the North East, published in June 2005, is advocating a sharp reduction in annual housing starts in rural districts (see Figure 1) which will reduce the potential for development. It has been argued that neglecting the role of rural areas in regional development means that some opportunities for growth are missed. These include capitalising on the region's competitive advantage in attracting skilled professionals and entrepreneurs (Ward 2005, p7).

Figure 1: Proposed average annual net additions to housing in Northumberland taken from the draft Regional Spatial Strategy for the North East

	2004-2011	2011-2016	2016-2021
Alnwick	95	75	60
Berwick	65	60	50
Castle Morpeth	140	125	95
Tynedale	125	100	80

Source: North East Regional Spatial Strategy, 2005, p91

Rural In-migration and Economic Development

Counterurbanisation is the net migration of population from larger urban centres to smaller towns and rural areas. This represents a reversal of the previous dominant trend which

¹ The population declined by 1.4% between 1981 and 1996 while the UK population increased by 4.3% (Breheny 1999).

characterised population movement in the UK until the 1960s (Champion 1989). In the North East, recent years have seen a net inflow of 1,500 people to the region's rural districts each year. Although in absolute terms this is the lowest of all England's regions, migration in the North East is still recognised as an "increasingly significant component of population change [with] important implications for policy formulation in the countryside" (Countryside Agency 2004, p14).

Much of the literature has focused on the implications of counterurbanisation for the social transformation of rural settlements and rural life. Gilligan (1987) reports that in-migration raises property prices disadvantaging indigenous residents. Other authors have pointed to the potential reduction in the viability of services (Divoudi & Wishardt 2004), and the loss of a sense of community (Bell 1994). Savage *et al* (1992) describe how gentrification is affecting neighbourhoods as wealthier classes are creating and sometimes enforcing their own identities on parts of rural England.

Qualitative research in Northumberland² revealed differing attitudes and experiences surrounding in-migration. Some in-migrants told how they encountered ill-feeling, particularly where they had taken on business premises which had previously been owned by local people. Others, however, had much more positive experiences and felt that they had integrated into their communities very successfully. A similar pattern was found in the attitudes of indigenous microbusiness owners. Some felt threatened by in-migrants, especially in the tourism sector, but others realised the positive impact that new people and new businesses can have in sustaining local communities.

A recent study by Stockdale & Findlay (2004) is relatively unusual in highlighting the positive economic impact of counterurbanisation. Their survey of rural households in 5 English districts

² The research informing this paper was conducted in the summer of 2005 as part of a Masters dissertation at the Centre for Rural Economy. The research included a re-analysis of the CRE's rural microbusiness database, supplemented with 12 personal interviews with microbusiness owners in rural Northumberland.

(Alnwick, Ashford, East Devon, South Warwickshire and Wear Valley) found that for each self-employed in-migrant, on average 2.4 full-time jobs were created. This figure included any people moving into the area but when including only in-migrants who were not born or brought up in the study area, this statistic was reduced to 1.7 additional full-time jobs (p13). The Alnwick district had the highest proportion of in-migrants who had started businesses (25%).

A study by Keith Halfacree (1994) identified employment-related factors as a significant influence in the migration decision for many people. One of his conclusions was that motivations vary depending on the distance of the move and this is confirmed by Stockdale & Findlay (2004, p7) who found that employment was one of the predominant motivating factors among incomers moving from further than 15km away since 1981. Halfacree did not distinguish between those owning a business and those moving as employees but Raley & Moxey (2000) discovered that in the North East just over 40% of in-migrant firm owners surveyed moved to the area with the express intention of starting a business. Furthermore, Keeble *et al* (1992) found that 66% of founders of rural businesses were in-migrants compared to 35% in urban areas (Curran & Storey 1993).

The creation of economic opportunities for local people is seen to be at the heart of new theories of rural development (Commission For European Communities 1988). With an increased focus on higher education, however, metropolitan regions have strengthened their pull on mobile labour with fewer higher-level jobs available in rural and particularly old industrial regions (Danson 2005). As theorists have analysed the changes occurring in rural economies, new approaches to rural development have sought to embrace local resources. Neo-endogenous development theory was developed in response to calls for a new way of looking at rural development. Lowe *et al* (1995), for example, emphasised the need to look "beyond exogenous and endogenous theories of development" recognising the dichotomy to be unhelpful. They proposed "an approach to the analysis of rural development that instead stresses the interplay between local and external forces in the control of

development processes" (1995, p87). The theory of neo-endogenous development has emerged to capture the central aims of both exogenous and endogenous approaches but with a clear focus on local actors generating a sustainable social and economic environment. In coining the term, Ray defined neo-endogenous development as:

"endogenous-based development in which extra-local factors are recognised and regarded as essential but which retains belief in the potential of local areas to shape their future" (Ray 2001, p4).

During the 1980s, there was a shift away from exogenous approaches to rural development towards a focus on development created within regions and local areas. The vulnerability of exogenous support had been highlighted during the recession from the late 1970s as branch plants were often the first to be sacrificed. Exogenous development was criticised for creating an over-dependence on external factors and for distorting the local economy, leading to the realisation that development must be rooted in the intrinsic assets and values of the local area. As a reaction to these shortcomings, focus shifted to local initiatives, local capacity building and local enterprise (Lowe 2003). This endogenous development was considered more sustainable as it would be shaped by the people and businesses within the area and the success would be based on local resources. Such a focus, however, overlooked the fact that many of the causes of rural change originate from outside rural areas. Rural economies will always remain susceptible to these external changes unless they are linked into wider economies as well as the local society and economy.

It is the focus on the interplay between endogenous and exogenous forces that is at the heart of this new way of thinking. Rural areas continue to be places of profound socio-economic change and therefore actors in these areas must seek to take control themselves, strengthening social and economic development, but in ways which respond to and embrace changes where local benefits can be realised.

In-migrants in Northumberland are adding to the resource of human capital, which is essential for any endogenous-based development. It is hypothesised that they are helping to diversify the local economy and provide links to increasingly extensive social and business networks. This study seeks to examine the number of firms and jobs involved and identify some of the specific characteristics of in-migrant firm owners. In particular, the employment generation and growth potential of these rural microbusinesses is assessed in the context of stimulating neo-endogenous development.

Methodology

Statistical analysis of the Centre for Rural Economy's existing database on rural microbusinesses in the North East was conducted with a specific focus on growth, employment and networks in relation to the origins of firm operators in Northumberland. The analysis excludes farms and includes only microbusinesses. Microbusinesses are defined as employing 0-10 full-time or equivalent staff and these comprised 83.8% of firms in the rural districts of the North East in 2002 (Countryside Agency 2004, p55)

The original survey sample was compiled from lists of businesses supplied by Northumberland Business Link and Northumbria Tourist Board, and supplemented by local business directories (Raley & Moxey 2000). From a total of 2,633 addresses, 672 usable questionnaires were returned from Northumberland. An urbanisation index was used to target appropriate post-code areas (Coombes & Raybould 2001). There is almost certainly a bias towards firms that have used Business Link but their database is not limited to their clients and with 71.2% of the respondents claiming not to have used Business Link, it is hoped that this is still a reasonably representative sample.

Another area where bias is inevitable is that the survey only includes surviving firms. We cannot know from this data how many firms have started and failed in the region or how many firms may have suffered as a result of new businesses starting up or moving into the area. Between 2000 and 2003 there was a net decrease of 0.3% in the number of VAT

registered firms in rural areas of the North East (Countryside Agency 2004, p54). It is successful firms that create the fabric of the economy and, whether or not they displace others, new successful firms are needed to reverse this downward trend and provide new opportunities in Northumberland.

Statistical data analysis was supplemented by qualitative interviews with a small sub-sample of these business operators. An even split between "local" and "in-migrant" business operators were sampled (where in-migrants also included return migrants and involved a move from at least 30 miles away from the area). Within each group some that in 2000 had been seeking to grow their business and others that were either unsure or not explicitly seeking growth were chosen for interview.

Results and Analysis

The data from rural microbusinesses surveyed in Northumberland indicate that an average of 1.9 jobs are created per self-employed in-migrant and this excludes any firms employing in excess of 10 full-time or equivalent staff³. There was no statistically significant difference between this and the average number of jobs provided by local firms (2.1 jobs). With casual jobs included, in-migrant business owners employed more people than local ones but again the differences were very small.

To quantify the employment generated by rural microbusinesses in Northumberland, businesses employing no full-time, part-time or casual staff were excluded from parts of the analysis. There were 269 (40% of the sample) in-migrant businesses employing at least one person in addition to the business owner and they provided an average of 2.8 additional jobs. This is made up of 1.62 full-time and 1.14 part-time positions.

³ In defining migration to an area, the local area was defined as "within 30 miles" for each respondent. Stockdale & Findley (2004) only used a range of 15km to define the local area and in-migrants were only those moving into the area since 1981. Raley & Moxey (2000) define in-migrants as those moving into the area as adults.

Using Northumberland as a representative sample for the whole of the North East, it is possible to estimate the employment contribution of in-migrant micro-business owners. In the North East region as a whole there were 9,049 VAT registered businesses in rural areas in 2002 of which 84% were microbusinesses. Microbusinesses are less likely to be VAT registered so the following analysis may well under-estimate their contribution to the regional economy. Nevertheless, the available statistics are useful and these imply that there are 7,601 rural microbusinesses in the North East. Using the figures from the Northumberland sub-survey (excluding businesses with no employees), if 40% of these were run by in-migrants employing an average of 2.8 full or part-time staff, we can assume that nearly 8,500 jobs were provided by this category of business owner. The Countryside Agency (2004, p.65-66) reports that in 2002 there were 91,640 people in full-time and 31,808 in part-time employment in rural areas in the North East. If 8,500 jobs are provided by in-migrant microbusiness-owners, this equates to 6.9% of the total of 123,448 jobs. This figure comprises almost 5,000 full-time jobs (5.4% of the total in the rural North East) and 3,500 part-time jobs (11%).

Of the job-providing business-owners in the Northumberland sub-survey, 87% had no other employment so were considered to be employed full-time in their own firms. With this assumption, each of these firms contained an average of 3.7 jobs of which 2.5 were full-time positions. Assuming these figures to be representative of the North East region, a total of 11,158 people were employed in rural microbusinesses owned by in-migrants, 7,600 in full-time positions. This is 8.3% of the total number of full-time jobs in the rural economy of the North East. As a comparison, in 2002 agriculture and fishing provided 3,398 (3.7%) full-time jobs in the rural North East (Countryside Agency 2004, p.66).

The Northumberland sub-sample excludes farm businesses but 27.7% of rural firms were in agriculture (Countryside Agency 2004, p.54). So far, calculations have assumed that the survey is representative of all rural microbusinesses in terms of numbers of in-migrant owners but agricultural businesses may not include the same proportion of in-migrants. Assuming

that 27.7% of rural microbusinesses are in agriculture, adjusting the total number of VAT registered rural microbusinesses in the North East (7,601) to exclude agriculture leaves 5,496 non-agricultural microbusinesses. From the Northumberland sub-sample, 40% of non-agricultural rural microbusinesses (2,198 firms) can be estimated to be run by in-migrants who employ on average 1.6 full-time staff. Combined with the 87% of in-migrant business-owners estimated to be working full-time in their businesses, there are estimated to be on average 2.5 full-time jobs in each of these non-agricultural microbusinesses. Assuming this is representative of the North East region, we can estimate that non-agricultural, VAT registered rural microbusinesses whose owners have moved into the area as adults provided a total of 5,500 full-time jobs. This is 6% of the 91,640 full-time jobs in the rural economy of the North East.

Figure 2: Jobs provided by in-migrant and locally owned microbusinesses

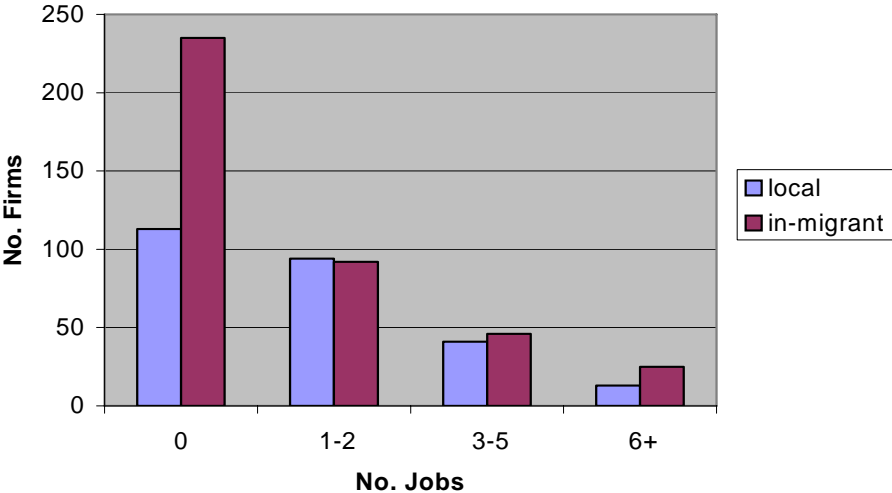


Figure 2 illustrates the number of full and part-time jobs provided by rural microbusinesses in the Northumberland sub-survey. Of those surveyed, there were 399 firms started by people who had moved into Northumberland as adults of which 235 did not have any full or part-time staff and only 72 employed 3 or more full or part-time staff. While local firms provide on average slightly more jobs, in-migrant firms are slightly more likely to provide in excess of 6 full or part-time jobs. Curran & Storey (1993) found that firms with 1 to 4 employees were likely to be the least growth orientated so it may be hypothesised that certain in-migrant business owners are more growth-orientated.

Figure 3: Origin of microbusiness owners and their attitudes towards growth

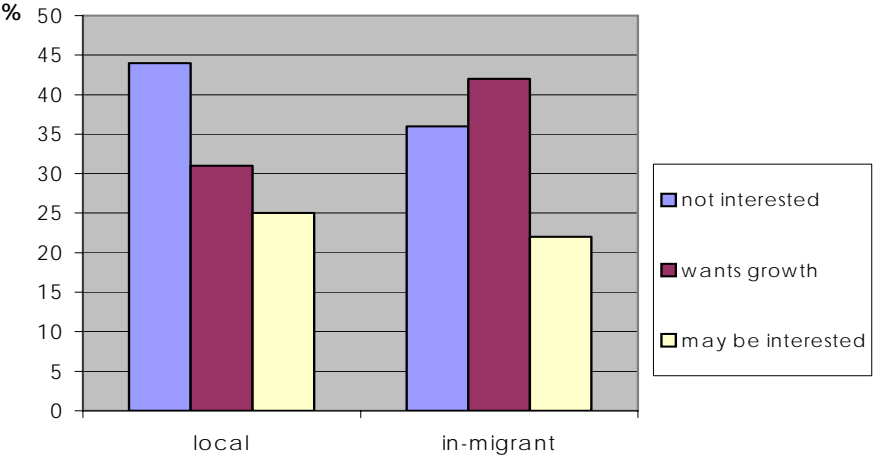


Figure 3 illustrates the more frequent growth orientation of in-migrant microbusiness owners and a chi-square test confirms that the differences between local and in-migrant respondents are significant at a 2.8% confidence level. If these aspirations from 6 years ago are being realised and are reflected in employment patterns, firms run by in-migrants may now be employing more people than local firms. Even if a reported desire to grow will not always produce new employees, it reflects a stronger entrepreneurial drive that might be expected to benefit the local economy.

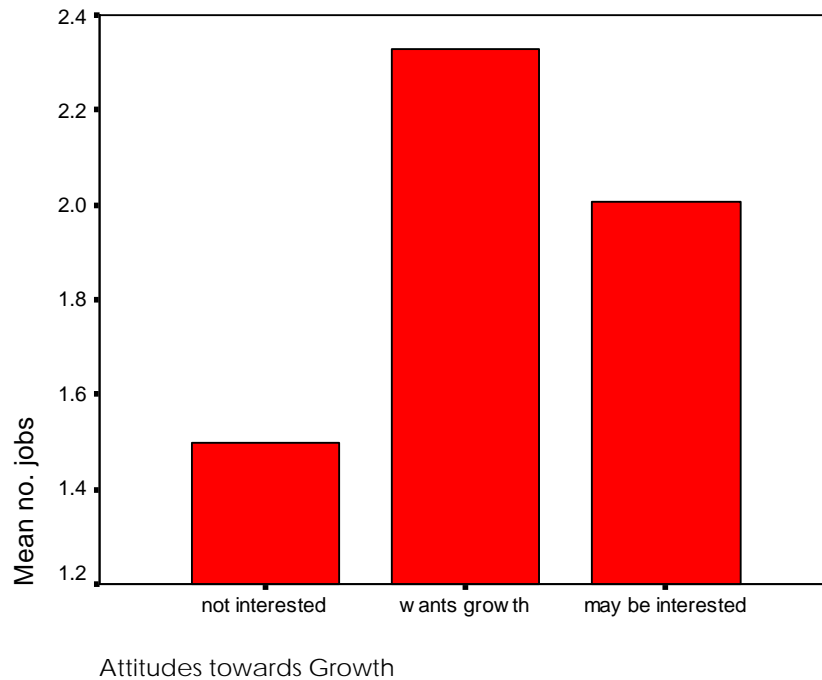
There is insufficient data to identify any clear trends in the employment patterns of in-migrant business-owners over time. What is noticeable is that business owners that moved into the region between 1990-1994 were employing on average 2.0 people compared to 1.7 for those moving in the 1980s and 1.7 for those between 1995-1999. If these later migrants were still expanding at the time of the survey (1999-2000), as suggested by their reported attitudes towards growth, they may now employ at least as many as those moving in the first half of the decade.

An increasing proportion of new microbusinesses in Northumberland are run by in-migrants. From the Northumberland sub-survey, 63% of new firms in the 1980s were started by in-migrants and this trend has developed to a point where 66% of respondents who established their business since 1995 were in-migrants. As in-migrant business-owners are more likely to be growth-orientated, the increasing proportion of in-migrants running businesses is expected to see a stronger desire for growth spread through the economy.

Turning growth ambition into real economic outcomes is essential for development. From the survey, there are significant positive correlations between a desire to grow and the number of local business services used, the proportion of trade conducted beyond the immediate region and the local focus of personal motivations⁴ of firm operators. These correlations are important because they show that growth orientated firms are active both within their local economy and in more extensive networks. Perhaps most importantly, Figure 5 illustrates a significant link between a desire to grow and the number of jobs provided. Since more recently established microbusinesses are reported by their owners to be more growth orientated, this suggests employment in rural microbusinesses is likely to increase over time.

⁴ Respondents were asked to score certain business goals out of 10 and this combined the scores for "employ local people" and "provide a local service".

Figure 5. A comparison of attitudes towards growth and the mean number of jobs provided by rural microbusiness owners



As well as providing new opportunities themselves, in-migrant business operators in Northumberland are economically active in local trading networks. Approximately 50% of their total expenditure on supplies is within the local area (defined as a 30 mile radius), compared to 56% for locally-originated firms, and a further 25% is spent in the region (defined as 30-100 miles radius), which is the same for local firms. This confirms that while some in-migrants will have more extensive contacts and trading patterns, the local economy remains important and can benefit directly from these new firms.

Firms with the highest proportion of business conducted in their local area are least growth-orientated. From the survey, business-owners seeking growth reported that approximately 50% of their income and expenditure were within a 30 mile radius. For businesses whose owners reported that they were not seeking growth, on average, 55% of sales and 58% of expenditure occurred within 30 miles. Recent research suggests a sustainable economy requires a mix of internal and external trade combined with formal and informal ties within

business and social networks (Atterton 2005). Local business and local contacts are valuable resources that are seen by many as essential to attract new entrepreneurs to a region.

Conclusions

This research has illustrated the extent of the impact that in-migrants are having on the local economy of rural Northumberland. Analysis of CRE's microbusiness database has shown that in-migrant owned rural microbusinesses are making a contribution to rural employment that is significantly greater than agriculture, forestry and fishing. The survey suggests that in-migrant microbusiness owners are more likely to express a desire for growth than their local counterparts and some are actively involved in local networks.

Stockdale & Findley (2004) raise the question of whether population movements to rural areas are a response to, or a catalyst for, rural economic regeneration. Strong positive correlations have been discovered between economic growth and increases in population size (Champion & Vandermotten 1997; Findley *et al*/2000) but this in itself does not confer causality. However, a significant proportion of firm owners surveyed in Northumberland were in-migrants and their firms have created on average almost 1.9 new jobs each. It should also be remembered that these figures do not include in-migrant businesses employing more than 10 full-time or equivalent staff and, with in-migrants tending to be more growth orientated, they are perhaps more likely to have passed this threshold.

In-migrants have added to the diversity of Northumberland's economy with many more in-migrants starting firms in the business and domestic services and hospitality sectors while also being represented across all sectors. The addition of these in-migrants to local networks, bringing *inter alia* different knowledge, business ideas and contacts, offers great potential to the development of a knowledge-based economy in Northumberland and elsewhere in the rural North.

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